

Message Text

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PAGE 01 TEGUCI 03456 161821Z

12

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /096 W

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 3969

INFO AMEMBASSY CARACAS

LIMITED OFFICIAL USE TEGUCIGALPA 3456

E.O. 11652: N/A

TAGS: ENRG, HO

SUBJECT: TEXACO REFINERY PROBLEMS CONTINUE

SUMMARY: TEXACO CRUDE PURCHASES OTHER THAN FROM VENEZUELA ARE STRONGLY QUESTIONED BY GOH. DIFFICULTIES WITH LEGAL DISPOSITION OF COMPANY SHARES ALSO SUBJECT TO DISCUSSION. NO ACTION REQUESTED END SUMMARY.

1. THE 12,000 BARREL A DAY TEXACO REFINERY IN PUERTO CORTES HAS BEEN UTILIZING A RECONSTITUTED CRUDE FOR THE PAST SIX MONTHS. THIS CRUDE COMES FROM THE TEXACO REFINERY IN TRINIDAD, WHICH IN TURN RUNS MOSTLY SAUDI ARABIAN CRUDE. AS A RESULT NO CRUDE PURCHASES ARE BEING MADE FROM VENEZUELA AND NO DEPOSITS ARE ACCRUING FOR THE HONDURAN ACCOUNT IN THE VENEZUELAN INVESTMENT FUND. THIS IN TURN HAS A BALANCE OF PAYMENTS EFFECT AGAINST HONDURAS. IN DISCUSSIONS JULY 14 AND 15, TEXACO EXPLAINED THE IMPOSSIBILITY TO DATE OF OBTAINING RECONSTITUTED VENEZUELAN CRUDE. PRESENT CRUDE PRICES ARE HIGHER THAN PRICES OF PRODUCTS REBLENDED INTO "COCKTAIL" CRUDE. THE COMPANY OFFERED TO RUN SUCH CRUDE IF THE GOH, IN DISCUSSIONS WITH GOV, CAN OBTAIN IT.

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PAGE 02 TEGUCI 03456 161821Z

2. A SECOND AND COMPLEX PROBLEM RELATES TO THE PREFERRED SHARES IN

THE REFINERY ISSUED BY TEXACO IN 1966, WHICH CARRY A GUARANTEE OF REDEMPTION IN TEN YEARS. WITHOUT HERE DISCUSSING THE COMPLEXITY, TEXACO HAS BEEN UNABLE TO OBTAIN A GOH DECISION TO RESOLVE DISPOSITION OF THE SHARES WHICH BY LAW MUST BE HELD BY HONDURANS IN ONE-THIRD OF THE TOTAL. ACCORDING TO TEXACO, THE GOH WANTS TEXACO TO ACT, EVEN THOUGH ANY ACTION MUST APPARENTLY BE INCONSISTENT WITH LEGAL REQUIREMENTS, AND THEN ACCEPT A FINE OR OTHER UNDETERMINED PUNITIVE DECISION BY THE GOVERNMENT. TEXACO HAS THE DILEMMA UNDER ADVISEMENT.

3. DURING THE TWO DAYS, MANY ASPERSIONS AND INNUENDOS WERE TOSSED AT THE COMPANY. DISPUTE MULTIPLE GOH AUDITS TO THE CONTRARY, THE HONDURANS PERSIST IN THE OPINION THAT THE REFINERY IS HIGHLY PROFITABLE. IN RESPONSE TO A DIRECT QUESTION PRESUMING THIS, TEXACO STATED ITS READINESS TO SELL ITS REFINERY TO THE GOH. THE REFINERY HAS LOST MONEY IN RECENT YEARS AND HAS A CRUDE PURCHASE DEBT OF \$20 MILLION. IT IS UNLIKELY THAT THE GOH WOULD BUY OUTRIGHT, BUT IT IS A OPEN POSSIBILITY THAT A BLOCK OF SHARES AND EVENTUAL CONTROL WILL BE TAKEN THROUGH THE HONDURAN DEVELOPMENT CORPORATION, CONADI. SANCHEZ

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